



## Succession Planning Minimum Requirements Newfoundland and Labrador

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## **Minimum Requirements for Succession Plans**

It is essential to ensure the continuity of a farm business through to subsequent generations. The transfer of a farm business contains three elements, all of which are usually included in a Farm Business Succession Plan:

- the transfer of management and control;
- the transfer of assets and ownership; and
- the transfer of labour.

Listed below are the minimum details that must be included in a Farm Business Succession Plan:

### **Cover/summary page**

- Provide the business/client names (retirees, successors and non-farming members), addresses, telephone and fax numbers.
- Provide a list of key contacts, including the consultant who prepared the plan.

### **Table of contents**

- List the major chapters of the plan for reader reference and convenience.

### **Executive summary**

- Provide a summary that describes the overall plan and highlights the action points on which the family must act to implement the plan.

### **Description of the farm business**

- Provide an outline and description of the current farm business, including what is produced, where it is located, who is involved, and the type of business arrangements (e.g., partnership, corporation, joint venture).

### **Description of business, personal goals and expectations**

- Provide an outline and description of the goals and expectation of both the founders/retirees and the successors, with specific reference to the farm business and to their own personal aspirations.

### **Retirement plan**

- Provide an outline of what is going to happen in retirement, and how it will be financed (i.e., goals, expectations and desired activities for retirees, including how the founders/retirees will or will not be involved in the farm business in the future).

- Provide the address where everyone is going to reside.
- Include a financial plan outlining the plan for annual living and relocation (if necessary).
- Explain any retirement-income planning (e.g., RRSPs, RRIFs, CPP, OAS).

### **Training and development plan for successor**

- Outline what skills you have to manage the farm successfully.
- Provide a skills profile for a fully qualified farm manager.
- Provide a skills profile for the successor.
- Identify skill gaps and an action plan on how they will be met (e.g., hiring to fill gaps, additional training). If both generations are staying involved, having them attend the same training courses could be beneficial.
- Provide an outline of a performance review process and mechanism to provide the “successor” with feedback on progress.

### **Farm business plan**

- Provide an outline of how the farm business will meet the needs of both the successor(s) and retiree(s).
- Analyze the current farm business (if necessary).
- Outline the future direction of the farm business (e.g., maintenance, contraction, expansion, diversification, value-added) and provide an evaluation of how this will affect business growth, along with projected financial statements.

### **Operating plan**

- Provide an outline of how everyday activities will be managed.
- List roles, responsibilities and authorities for managing the business on a daily basis.
- Explain if it will be a multi-generational farm with two or three generations co-operating and whether that will change over time.
- Provide a plan regarding business meetings to discuss such issues as the progress of the transfer process and any necessary business changes taking place. Include information such as, how the meetings will function, who is responsible for what during the meetings, where the meetings will take place, the presence of non-farming members and what involvement those members will have during the meetings. The product of this plan will be a "user's" manual for meeting conduct.

### **Management, control and labour transfer plan**

- Provide an outline of how the transfer of labour and management will take place, including a timetable for transition to the successor(s).

### **Ownership transfer plan**

- Provide an outline of how the farm business is currently structured (referenced back to the description of the farm business) and how this will change during the transfer process.
- Explain how the transfer of ownership of the assets will be handled.
- Include an inventory and valuation of assets and liabilities.
- Identify what the business arrangement is going to be (e.g., sole proprietorship, corporation, partnership).
- Identify the transfer mechanism (e.g., purchase, gift and rental).
- Include a prenuptial agreement (if necessary).
- Explain any tax implications and how they will be addressed.
- Explain the financing required, and its sources.
- Explain the treatment of non-farming children.
- Outline the insurance requirements (e.g., death, disability).
- If required, provide a copy of the will to the consultant or an overall description of the intent to assist with ownership transfer plan.
- Provide a description of any other legal agreements (e.g., employment contracts, partnership agreements, shareholder agreements and buy-sell agreements).

### **Implementation timetable**

- Provide a timetable of the start and estimated finish of activities. Include periods that allow progress to be monitored, measured and amended if necessary.

### **Communications plan**

- Define the process by which all related parties communicate and makes decisions (i.e., regularly scheduled family meetings).
- Determine how disputes or conflicts are managed and resolved (e.g. voting, third-party mediation assistance).

### **Contingency plan**

- Explain what will happen and who will ensure implementation in such situations as death, illness, divorce, disability, business downturn, or failure.